

Supreme Court, U. S.
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IN THE
Supreme Court Of The United States

OCTOBER TERM, 1978

No. **77-1446**

SOUTHERN CAPITAL CORPORATION *Petitioner*

VS.

SOUTHERN PACIFIC COMPANY, SOUTHERN
PACIFIC TRANSPORTATION COMPANY,
MORGAN GUARANTY TRUST COMPANY OF
NEW YORK *Respondents*

**PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT**

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PETITION FOR A WRIT OF CERTIORARI TO THE
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PETITION FOR A WRIT OF CERTIORARI

Petitioners, plaintiffs below, pray that a Writ of Certiorari issue to review the January 11, 1978, Opinion and Judgment of the United States Court of Appeals for the Eighth Circuit.

OPINIONS BELOW

On April 22, 1977, the Honorable G. Thomas Eisele of the United States District Court for the Eastern District of Arkansas, Western Division, entered an Opinion dismissing

the Complaint of plaintiffs. Said Opinion was duly appealed to the United States Court of Appeals for the Eighth Circuit which, by Opinion of Stephenson, Circuit Judge, affirmed the Federal District Court. Printed herein at Appendix "A" is the Federal District Court Opinion and at Appendix "B", the Opinion of the Eighth Circuit Court of Appeals.

STATEMENT OF GROUNDS ON WHICH JURISDICTION OF THIS COURT IS INVOKED

1. The Judgment handed down and entered in the United States Court of Appeals for the Eighth Circuit on January 11, 1978, is the basis for this Petition.
2. The statutory provision conferring jurisdiction on this Court is 28 U.S.C. §1254.

QUESTIONS PRESENTED FOR REVIEW

1. The justification for the enactment of the Joint Resolution of 1933 no longer exists, thereby causing that enactment to fall before the substantive due process and equal protection requirements of the Fifth Amendment.
2. The Joint Resolution of 1933 was repealed by the Gold Ownership Acts of 1974.

STATEMENT OF THE CASE

This Petition is from the affirmance of an Order of Dismissal for failure to state a claim on which relief could be granted in an action for a declaratory judgment.

At the time of the filing of the Complaint, petitioner was the owner of 175 of Southern Pacific Company's, Oregon Lines First Mortgage Bonds due March 1, 1977, one of which is reproduced in Appendix "F" which were issued

under and pursuant to a mortgage and deed of trust dated March 1, 1927, between Southern Pacific Company and National Bank of Commerce in New York, as Trustee. Southern Pacific Transportation Company, is the successor in interest to Southern Pacific Company and Morgan Guaranty Trust Company of New York is the successor trustee.

Petitioner brought suit on May 28, 1976, asking that the trial court enter a Declaratory Judgment to the effect that respondents are obligated to satisfy the remaining interest and principal payments according to the express language of the bonds. These bonds provide for all interest and principal payments to be made ". . . in gold coin of the United States of America of or equal to the standard of weight and fineness existing on March 1, 1927 . . ."

BASIS FOR FEDERAL JURISDICTION IN COURT OF FIRST INSTANCE

The Federal District Court had jurisdiction of this cause pursuant to 28 U.S.C. §2201.

ARGUMENT

Within days after his inauguration in 1933, President Roosevelt began taking steps to extricate the country from the grip of a major depression by relieving the nation and its citizens from obligations under the gold standard then in existence. Numerous measures were passed to this effect by a subservient congress within a few months after his taking office. One of those measures was the Joint Resolution of 1933, found in Appendix "C" herein, which attempted to abrogate the effect of "gold clauses" by making obligations having such provisions redeemable dollar for dollar by any legal tender, such obligations being satisfied otherwise only by the payment of a value of the promised payment in gold coin, regardless of the number of dollars called for.

The Joint Resolution was upheld in regard to "gold clauses" in private contracts due to the economic circumstances the country found itself in and the interference the existence of "gold clauses" was found to have with the power of Congress to regulate the value of the currency, i.e., to devalue the dollar. *Baltimore & Ohio R. Co.*, 294 U.S. 240, 55 S.Ct. 40 (1935).

Neither of these stated reasons have any bearing upon the continuing validity of the Joint Resolution today. Our economic situation has improved dramatically since the depression of the early 1930's and Congress regularly employs indexing devices in modern legislation in order to combat the erosion caused by inflation.¹ This country has

been off the gold standard for several years and gold no longer has any influence on the value of our currency. To emphasize this point, Congress, by the enactment of P.L. 95-147 on October 28, 1977, found in Appendix "D" herein, has once again legitimatized gold clauses in relation to contracts entered into after passage of that measure.

The Eighth Circuit Court of Appeals reply to this argument was:

"We are persuaded that the Congressional power to establish a uniform monetary system which existed in 1933 and provided a basis upon which the Supreme Court upheld the constitutionality of the Joint Resolution in 1934 still exists today. Accordingly, we reject Southern Capital's first argument."

It is not the power of Congress to establish a uniform monetary system that is under attack here, but rather it is the continued interference by gold clauses with that power that is questioned by this argument.

The principle of "Cessante Ratione Legis, Cessat Et Ipsa Lex" (where the reason for the law abates, so does the law itself) finds particular application here. In *Chastleton Corp. v. Sinclair*, 264 U.S. 543, 44 S.Ct. 405 (1924) rent controls established in the time of emergency were challenged and struck down on the basis that the emergency no longer existed. The Court found that even though Congress did have the power to take the action it did at the time it did, such a justification had no bearing upon the validity of the exercise of that power when the facts upon which the exercise of that power is based have changed.

This principle was applied in *Newton v. Consolidated Gas Company*, 258 U.S. 165, 42 S.Ct. 264 (1922) where a

¹ 5 U.S.C. Sec. 8340; 5 U.S.C. 8146a; 10 U.S.C. Sec. 1401a; 22 U.S.C. Sec. 1121; 22 U.S.C. Sec. 1064; 50 U.S.C. Sec. 403 note; 16 U.S.C. Sec. 460u-12; 42 U.S.C. Sec. 1761; 42 U.S.C. Sec. 3045f; 45 U.S.C. Sec. 231b; 12 U.S.C. Sec. 85; 12 U.S.C. Sec. 1730e; 15 U.S.C. Sec. 687; 12 U.S.C. 1831a.

statutory rate that had been held valid by the Supreme Court in regard to conditions that had existed previously was held confiscatory for 1918 and 1919. The Supreme Court has consistently applied this principle to circumstances similar to the one before the Court on this petition.²

The Joint Resolution substantially altered the value of existing contracts, a result that would have caused it to fall before the substantive due process requirements of the Fifth Amendment had not the economic justification been coupled with the interference of indexing devices. Today, Congress itself has taken the position that gold clauses do not interfere with its power to establish a uniform monetary system by the elimination of the restrictions of the Joint Resolution as it pertains to recent obligations containing gold clauses; the restoration of the freedom of the American citizen to once again own and deal in gold; and the use of indexing devices to protect against the ravages of inflation, the same purpose for which the gold clause was inserted in the bonds involved in this petition. Petitioners invoke the substantive due process requirements and the right to equal protection under the law of the Fifth Amendment and seek to have their contractual rights treated equally with the beneficiaries of the measures enacted by Congress which contain indexing devices; with those individuals who may now enter into enforceable contracts containing gold clauses identical to those contained in the bonds at issue; and with all other Americans who are free to enforce their contractual rights according to the tenor

of the instruments creating such rights where such enforcement does not interfere with the laws of our land.

The second argument presented here, is that the Eighth Circuit Court of Appeals erred in holding that the gold ownership acts of 1974, found at Appendix "E" herein, did not repeal the Joint Resolution of 1933.

This argument presents an important federal question which has not previously been decided by the Supreme Court. There are now outstanding at par value 731.2 million dollars of bond obligations and a substantial measure of other obligations, such as 99 year leases, that contain gold clauses similar to that found in petitioner's bond. Enforceability of these gold clauses would be restored by a favorable ruling in this Court.

The gold ownership acts of 1974 restored to Americans the right to own and deal with gold, without restriction. The enforcement of gold clauses can certainly be said to be a form of dealing with gold and, as such, should no longer be constrained by the provisions of the Joint Resolution, enacted 45 years ago, at a time when the private ownership of gold was forbidden.

The general terms of these acts bespeak the all-encompassing reach that was intended. Reference is made to other laws not specifically mentioned in the acts indicating that Congress was aware that there were other laws in existence that interfered with the freedom granted. These acts allow citizens of this country to "... otherwise deal in gold ..." without interference from the prohibitions of previously passed legislation. This right given is in no way restricted elsewhere in these acts and if Congress had wished to limit this freedom, it is presumed that it would have done so in regard to such an obvious restriction as

² **Leary v. United States**, 395 U.S. 6, 89 S.Ct. 1532 (1969); **Nashville, C & St. S. R. Co. v. Walters**, 294 U.S. 405, 55 S.Ct. 486 (1935); **Block v. Hirsh**, 256 U.S. 135, 41 S.Ct. 458 (1921); **Communist Party of United States v. SACB**, 367 U.S. 1, 81 S.Ct. 1357 (1961); **Abie State Bank v. Weaver**, 282 U.S. 765, 51 S.Ct. 262 (1931); **Perrin v. United States**, 232 U.S. 478, 58 L. Ed. 561 (1914).

that imposed by the Joint Resolution of 1933. Indeed, as the legislative history of the gold ownership acts indicates, Congress was aware at the time of passage of these acts of the restrictions of the Joint Resolution on the new right meant to be granted and presumably because other laws imposed other restrictions on this right, it lumped them all together in the term ". . . no provision of any law . . .", thereby sweeping them all away. Again, if Congress had meant to restrict this right in any way, it would have done so.

The equities of this petition are manifest in that the issuers of these gold clause obligations should not be allowed to benefit from this windfall at the expense of petitioner and other "gold clause" bond owners.

C O N C L U S I O N

Petitioner contends, prays and asks this Court to grant this Writ of Certiorari; reverse the decision of the Eighth Circuit Court of Appeals in this cause, and enter an Order for Declaratory Judgment to the effect that the gold clauses found in the bonds involved here are enforceable.

Respectfully submitted,

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Attorneys for Petitioner

CERTIFICATE OF SERVICE

Copies of the foregoing Petition were mailed to Mr. Robert V. Light, 20th Floor, First National Building, Little Rock, Arkansas 72201 and Mr. W. J. Williams, 2200 Worthen Bank Building, Little Rock, Arkansas 72201, this 4th day of April, 1978.

/s/ James F. O'Hara

APPENDIX "A"

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

SOUTHERN CAPITAL CORPORATION Plaintiff
v. No. LR-76-C-166
SOUTHERN PACIFIC COMPANY, SOUTHERN
PACIFIC TRANSPORTATION COMPANY,
MORGAN GUARANTY COMPANY OF
NEW YORK Defendants
ROY GENE SANDERS Intervenor

MEMORANDUM OPINION AND
ORDER OF DISMISSAL

Plaintiff, Southern Capital Corporation, is the holder of 175 \$10,000 bonds of the Southern Pacific Company, issued on March 1, 1927, and having a maturity date of March 1, 1977. The bonds contain a "gold clause," which provides for payment of the principal and interest "in gold coin of the United States of America of or equal to the standard of weight and fineness existing on March 1, 1927 . . ." On May 28, 1976, plaintiff commenced this diversity action against the issuer of the bonds and the trustee for the security on the bonds, seeking to compel them to pay the principal and accumulated interest in gold coin as provided in the gold clause.¹ Roy Gene Sanders, a holder of similar bonds, has been permitted to intervene as a plain-

¹ Under the gold clause, defendants would be required to pay the quantity and fineness of gold which would have amounted to \$10,000 in 1927. The present worth of such gold would be substantially in excess of \$10,000.

APPENDIX

tiff. Defendants have moved to dismiss the complaints for failure to state a claim upon which relief can be granted. For reasons which follow, defendants' motion is granted.

Defendants' motion to dismiss is predicated on the Joint Resolution of June 5, 1933, 31 U.S.C. §463, in which Congress declared gold clauses to be against public policy, and provided that all such obligations "shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts." The Joint Resolution was held to be constitutional in *Norman v. Baltimore & Ohio R.R. Co.*, 294 U.S. 240 (1935). Plaintiffs contend that the Joint Resolution was repealed by the Act of Congress which lifted the ban on private ownership of, and dealing with, gold, effective December 31, 1974:

"(b) No provision of any law in effect on the date of enactment of this Act, and no rule, regulation, or order in effect on the date subsections (a) and (b) become effective may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad."

Pub. L. 93-373, 88 Stat. 445 (1974).

Alternatively, plaintiffs contend that continuing the ban against the enforcement of gold clauses contravenes due process.

Since the effective date of the 1974 Act, two federal courts have considered its impact on gold clauses, and have concluded that the Act did not repeal the Joint Resolution. *Feldman v. Great Northern Ry. Co.*, No. 76 Civ. 2837 (S.D. N.Y. March 16, 1977); *Equitable Life Assur. Soc. of U. S. v. Grosvenor*, 426 F. Supp. 67 (W.D. Tenn. 1976). They reasoned that there was no express repeal since the Act failed

to specifically mention the Joint Resolution although it did mention two other restrictions on private dealings in gold. See Pub. L. 93-110, 87 Stat. 352 (1973, as amended; Pub. L. 93-373, 88 Stat. 445 (1974), repealing 31 U.S.C. §§442-43 (1970). They further reasoned that the 1974 Act could not be viewed as impliedly repealing the Joint Resolution since repeal by implication is not favored and may be found only when the earlier and later statutes are irreconcilable. See *Morton v. Mancari*, 417 U.S. 535, 549-51 (1974). The court in *Equitable Life* stated:

"The Repealing Act is a statute which was intended to again allow citizens to buy, sell, hold and deal with gold as a commodity but not to use it as an index of value to measure obligations. The two statutes are not irreconcilable. Citizens may now deal with gold as a commodity — buying, selling and holding it, contracting on futures and generally dealing with it as they would cotton or other commodities. However, Congress did not repeal the prohibition against its use as an index of value to measure obligations unrelated to their dealings in it."

426 F. Supp. at 72.

Finally, the court in *Feldman* noted that the few references to this issue in the legislative history underlying the 1974 Act indicate that the Act was not intended to repeal the Joint Resolution. In response to an inquiry by Senator Johnston, chairman of the Senate Subcommittee considering private ownership of gold, Deputy Undersecretary of the Treasury Jack F. Bennett submitted a letter stating:

"Any decision to repeal the Gold Clause Joint Resolution would have to be based on consideration of its effect on our economy from both a domestic and

international view point. Repeal would also have to be reviewed in the light of its effect on the ability of Congress to regulate the value of money of the United States — the original reason for the adoption of the Resolution.

"It seems unlikely at the present time the private market price for gold, which is quite volatile, would be used by creditors and debtors in their contracts. However, our preliminary view is that it would seem at least technically possible for private contracts to use the monetary price of gold as an index for determining payment in dollars. In time, contractual clauses of this kind could conceivably become a serious burden on ordinary citizens if contracts using the monetary price of gold as an index became widespread, for example, in lease and mortgage agreements. They might also result in private citizens having a vested interest in the monetary gold price, and this could run counter to our overall national objective of diminishing the role of gold in the international monetary system. Finally, such clauses, if contained in a large number of contracts, might impair the constitutional power of Congress to regulate the value of money.

"Consequently, based on these preliminary concerns, repeal of the Gold Clause Joint Resolution should not be undertaken by the Congress without a thorough consideration of all the issues and consequences involved. Since neither the hearings before your Subcommittee nor the debates on other gold legislation pending in the Senate have focused on the gold clause issue, we believe that it would be inadvisable to include the Joint Resolution among the gold laws which are proposed to be repealed by Congress.

"I would also like to point out in this connection that there is no inconsistency between private gold ownership and a restriction on the enforceability in our courts of gold clause provisions in contracts. For example, a number of foreign nations which permit private gold ownership by their citizens impose various restrictions on gold clauses and other similar contractual provisions. Such countries include Germany, France, Canada, Belgium, Luxembourg and The Netherlands.

"As we interpret them, the bills now before Congress on private gold ownership, although broadly phrased, are limited to holding and dealing in gold and do not affect the Gold Clause Joint Resolution. [Emphasis added]

Hearings on Private Ownership of Gold Before a Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs, 93d Cong., 1st Sess. 55-56 (1973).

In later hearings before a House Subcommittee, Secretary of the Treasury William Simon testified:

"Contracts payable alternatively in gold or in an amount of money measured thereby are both against public policy and unenforceable in our courts under the provisions of the Congressional Gold Clause Joint Resolution of 1933. This clause continues to apply after the lifting of restrictions on bullion ownership." [Emphasis added]

Hearings on H.R. 17475 Before the Subcommittee on International Finance of the House Committee on Banking and Currency, 93d Cong., 2d Sess. 7 (1974).

The Court finds the reasoning employed in *Feldman* and *Equitable Life* to be persuasive, and, on that basis, holds that the 1974 Act did not repeal the Joint Resolution of 1933.

As to their constitutional claim, plaintiffs contend that Congress' authority to void existing gold clauses derived from the economic circumstances existing in 1933, that those circumstances no longer exist, and that particularly since private ownership of gold is now permitted, the continued invalidation of gold clauses is arbitrary and in violation of due process. Plaintiffs' argument misconceives the legislative and constitutional bases for the Joint Resolution. While the Supreme Court, in *Norman v. Baltimore & Ohio R.R. Co., supra*, cited the economic circumstances of the depression, problems of gold hoarding, and the newly imposed ban on private ownership of gold as justifications for the Joint Resolution, it also cited, as an independent constitutional basis for the Resolution, Congress' power to establish a uniform monetary system with parity between all forms of currency. 294 U.S. at 314-16. See *Equitable Life, supra*, at 72-73. This basis for the Joint Resolution is as valid today as in 1933. Accordingly, plaintiffs' constitutional argument is without merit.

The Court concludes that the complaints of the plaintiff and the plaintiff-intervenor should be dismissed for failure to state a claim upon which relief may be granted.

It is therefore Ordered that the complaints of the plaintiff and of the plaintiff-intervenor be, and they are hereby, dismissed.

Dated this 22nd day of April, 1977.

/s/ Garnett Thomas Eisele
United States District Judge

APPENDIX "B"

UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

No. 77-1428

SOUTHERN CAPITAL CORPORATION *Appellant*
v.

SOUTHERN PACIFIC COMPANY, SOUTHERN
PACIFIC TRANSPORTATION COMPANY, MORGAN
GUARANTY TRUST COMPANY OF NEW YORK *Appellees*

Appeal from the United States District Court
for the Eastern District of Arkansas

Submitted: November 18, 1977
Filed: January 11, 1978

Before VAN OOSTERHOUT, Senior Circuit Judge, LAY
and STEPHENSON, Circuit Judges.

STEPHENSON, Circuit Judge.

Southern Capital Corporation is the owner of 175 of Southern Pacific Company's \$10,000 bonds due on March 1, 1977. The bonds were issued under and pursuant to a mortgage and deed of trust dated March 1, 1927, between Southern Pacific Company and The National Bank of

Commerce in New York, as trustee. Southern Pacific Transportation Company is the successor in interest to Southern Pacific Company. Morgan Guaranty Trust Company of New York is the successor trustee. The bonds contained a "gold clause" which provides for all interest and principal payments to be made "in gold coin of the United States of America of or equal to the standard of weight and fineness existing on March 1, 1927 * * *." On May 28, 1976, appellant Southern Capital brought this action below seeking a declaratory judgment to the effect that the appellees are obligated to satisfy the remaining interest and principal payments according to the express language of the gold clause in the bonds. Upon the appellees' motion, the district court,¹ in light of 31 U.S.C. §463, dismissed Southern Capital's complaint for failure to state a claim upon which relief could be granted. Southern Capital appeals from that dismissal. We affirm.

The Joint Resolution of June 5, 1933, 31 U.S.C. §463, was one of a series of congressional measures relating to the currency arising out of a banking and monetary crisis. In the Joint Resolution Congress declared that "gold clauses" were against the public policy. Furthermore, Congress provided that all such obligations "shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts." Shortly after its passage, the Supreme Court upheld the Joint Resolution's constitutionality as to private obligations in *Norman v. Baltimore & O. R.R.*, 294 U.S. 240 (1935).² Accord, *Holyoke Water Power*

¹ The Honorable G. Thomas Eisele, United States District Judge for the Eastern District of Arkansas.

² The Supreme Court upheld the Joint Resolution's constitutionality as to governmental obligations in *Nortz v. United States*, 294 U.S. 317 (1935), and *Perry v. United States*, 294 U.S. 330 (1935).

Co. v. American Writing Paper Co., 300 U.S. 324 (1937). Thus, it would appear that the Joint Resolution bars the relief sought by Southern Capital.

Southern Capital contends, however, that because the economic circumstances that justified the passage of the Joint Resolution no longer exist, the enactment fails of its essential purpose and must fall before the substantive due process requirements of the Fifth Amendment. It cannot be questioned that the Joint Resolution of June 5, 1933, arose out of a banking and monetary crisis. The Supreme Court in *Norman v. Baltimore & O. R.R.*, *supra*, however, did not rely solely on the economic circumstances of the depression to uphold the constitutionality of the Joint Resolution. The Court instead discussed at some length the power of Congress to establish a uniform monetary system as an independent constitutional basis for the Joint Resolution. Several years following the *Norman* decision, the Supreme Court again in *Guaranty Trust Co. v. Henwood*, 307 U.S. 247, 259 (1939), highlighted the congressional power to enact the Joint Resolution when it stated:

These bonds and their securing mortgage were created subject not only to the exercise by Congress of its constitutional power "to coin money, regulate the value thereof, and of foreign coin," but also to "the full authority of the Congress in relation to the currency." The extent of that authority of Congress has been recently pointed out: "The broad and comprehensive national authority over the subjects of revenue, finance and currency is derived from the aggregate of the powers granted to the Congress, embracing the powers to lay and collect taxes, to borrow money, to regulate commerce with foreign nations and among

the several States, to coin money, regulate the value thereof, and of foreign coin, and fix the standards of weights and measures, and the added express power 'to make all laws which shall be necessary and proper for carrying into execution' the other enumerated powers."

Under these powers, Congress was authorized — as it did in the Resolution — to establish, regulate and control the national currency and to make that currency legal tender money for all purposes, including payment of domestic dollar obligations with options for payment in foreign currencies. Whether it was "wise and expedient" to do so was, under the Constitution, a determination to be made by the Congress.

[Footnotes omitted.]

We are persuaded that the congressional power to establish a uniform monetary system which existed in 1933 and provided a basis upon which the Supreme Court upheld the constitutionality of the Joint Resolution in 1934 still exists today. Accordingly, we reject Southern Capital's first argument.

Southern Capital's remaining arguments center around two congressional enactments in 1973 and 1974 which eliminated limitations on the right of United States citizens to purchase, hold, sell or otherwise deal in gold. It is Southern Capital's position that this legislation has repealed the Joint Resolution. Additionally Southern Capital contends that this legislation is inconsistent with the Joint Resolution and thus causes that enactment to fail of its essential purpose.

In the Act of September 21, 1973, Pub. L. No. 93-110, §3, 87 Stat. 352, Congress specifically repealed sections 3

and 4 of the Gold Reserve Act of 1934, 31 U.S.C. §§442 and 443. We note, however, that neither the Joint Resolution or its codification in 31 U.S.C. §463 is expressly mentioned. In the subsequent Act of August 14, 1974, Pub. L. No. 93-373, §2, 88 Stat. 445, Congress provided that no provisions of any law may be construed to prohibit any person from purchasing, holding, selling or otherwise dealing with gold in the United States or abroad. As it is clear that the Joint Resolution was not expressly repealed by either Act, the question remains whether it was repealed by implication.

In *Morton v. Mancari*, 417 U.S. 535, 550 (1974), the Supreme Court stated that "[i]n the absence of some affirmative showing of an intention to repeal, the only permissible justification for a repeal by implication is when the earlier and later statutes are irreconcilable." We are not persuaded in the instant case that Congress intended to repeal the Joint Resolution by the two enactments in 1973 and 1974.⁸

⁸ In *Feldman v. Great Northern Ry.*, 428 F. Supp. 979, 985-86 (S.D. N.Y. 1977), the following was stated concerning the legislative history of the enactments of 1973 and 1974:

On May 1, 1973, in the Senate hearings considering private ownership of gold, the following brief colloquy took place between Senator Johnston, Chairman of the subcommittee, and Jack F. Bennett, Deputy Under Secretary of the Treasury:

"Senator JOHNSTON. * * * If we permitted the possession of gold, would it make any further difference if we permitted its use for payment of contracts, as legal tender?

Mr. BENNETT. Well, there could be technical difficulties once we permitted private ownership and allowed private trading in gold, and futures trading and so forth (sic); there might be technical difficulties in continuing restrictions on the freedom of individuals to contract in gold as they can contract in pork bellies. I think that the question, however, ought to be looked at carefully as to whether some restrictions on indexing dollar contracts in gold should be retained."

(Continued on Page 22)

We note that in the Act of October 28, 1977, Pub. L. No. 95-147, 91 Stat. 1229, Congress has now specifically made the Joint Resolution nonapplicable to obligations issued on or after October 28, 1977. If Congress had earlier intended to implicitly repeal the Joint Resolution, it is highly doubtful that the Act of October 28, 1977, would have been necessary. Additionally, this recent Act clearly expresses the congressional intent to make the Joint Resolution nonapplicable to obligations issued on or after October 28, 1977. We are unable to find an earlier congressional intention to repeal the Joint Resolution.

Furthermore, the Joint Resolution and the two enactments of 1973 and 1974 are not irreconcilable. The Joint Resolution prohibited obligees from demanding payment of

(Continued from page 21)

Pursuant to Senator Johnston's suggestion, Bennett did consider the question further and wrote to Senator Johnston on May 16, 1973, saying in part:

"Any decision to repeal the Gold Clause Resolution would have to be based on consideration of its effect on our economy from both a domestic viewpoint. Repeal would also have to be reviewed in the light of its effect on the ability of Congress to regulate the value of money of the United States — the original reason for the adoption of the Resolution.

* * *

Consequently based on these preliminary concerns, repeal of the Gold Clause Resolution should not be undertaken by the Congress without a thorough consideration of all the issues and consequences involved. Since neither the hearings before your Subcommittee nor the debates on other gold legislation pending in the Senate have focused on the gold clause issue, we believe that it would be inadvisable to include the Joint Resolution among the gold laws which are proposed to be repealed by Congress.

* * *

(Continued on page 23)

obligations in gold. The two latter enactments were concerned with the removal of restrictions imposed on the acquisition, holding and disposition of gold as a commodity. Thus, it appears that the Joint Resolution was not implicitly repealed by the enactments of 1973 and 1974. *Feldman v. Great Northern Ry.*, 428 F. Supp. 979, 984-86 (S.D. N.Y. 1977); *The Equitable Life Assurance Soc'y of the United States v. Grosvenor*, 426 F. Supp. 67, 71-72 (W.D. Tenn. 1976).

We further reject Southern Capital's contention that the 1973 and 1974 legislation is inconsistent with the Joint Resolution. In our view there is no basic inconsistency in granting persons permission to purchase, sell, hold or otherwise deal with gold, while denying them the right to demand payment of obligations indexed to a certain value of gold. The statutes can coexist.

(Continued from page 22)

As we interpret them, the bills, the bills now before Congress on private gold ownership, although broadly phrased, are limited to holding and dealing in gold and do not affect the Gold Clause Joint Resolution. It would be helpful if the report of your Subcommittee explaining the objectives of these bills made this interpretation explicit through a statement to the effect that the proposed gold legislation would in no way affect the continuing validity of the Joint Resolution of June 5, 1933."

While the committee did not respond to the suggestion that the report explicitly reaffirm the continuing validity of the Gold Clause Resolution, there was no indication anywhere else in the hearings or committee reports that Bennett's interpretation was rejected or even questioned. The matter was not explicitly addressed either way.

(Continued on page 24)

We affirm the district court's dismissal of Southern Capital's complaint for failure to state a claim upon which relief could be granted.

Affirmed.

(Continued from page 23)

Over a year and a half later, on December 4, 1974, Secretary of the Treasury Simon testified before the House subcommittee considering delaying the effective date of the Gold Ownership Amendments:

"Contracts payable alternatively in gold or in an amount of money measured thereby are both against public policy and unenforceable in our courts under the provisions of the Congressional Gold Clause Joint Resolution of 1933. This clause continues to apply after the lifting of restrictions on bullion ownership."

Here again, there is no indication of congressional rejection of the Secretary's interpretation, or even any discussion of it. (Footnotes omitted.)

APPENDIX "C"

"Joint Resolution"

"To assure uniform value to the coins and currencies of the United States.

"Whereas the holding of or dealing in gold affect the public interest, and are therefore subject to proper regulation and restriction; and

"Whereas the existing emergency has disclosed that provisions of obligations which purport to give the obligee a right to require payment in gold or a particular kind of coin or currency of the United States, or in an amount in money of the United States measured thereby, obstruct the power of the Congress to regulate the value of the money of the United States, and are inconsistent with the declared policy of the Congress to maintain at all times the equal power of every dollar, coined or issued by the United States, in the markets and in the payment of debts. Now, therefore, be it

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy; and no such provision shall be contained in or made with respect to any obligation hereafter incurred. Every obligation, heretofore or hereafter incurred, whether or not any such provision is contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is

legal tender for public and private debts. Any such provision contained in any law authorizing obligations to be issued by or under authority of the United States is hereby repealed, but the repeal of any such provision shall not invalidate any other provision or authority contained in such law.

"(b) As used in this resolution, the term 'obligation' means an obligation (including every obligation of and to the United States, excepting currency) payable in money of the United States; and the term 'coin or currency' means coin or currency of the United States including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations."

APPENDIX "D"

P.L. 95-147

(c) The joint resolution entitled "joint resolution to assure uniform value to the coins and currencies of the United States," approved June 5, 1933 (31 U.S.C. 463), shall not apply to obligations issued on or after the date of enactment of this section.

APPENDIX "F"

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APPENDIX "E"

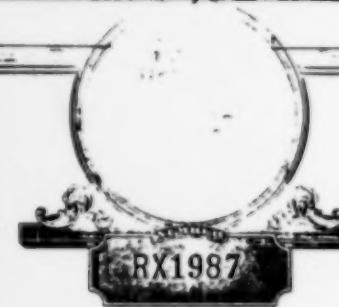
88 STAT. 445

Sec. 2. (b) No provision of any law in effect on the date of enactment of this Act, and no rule, regulation, or order in effect on the date subsections (a) and (b) become effective may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad.

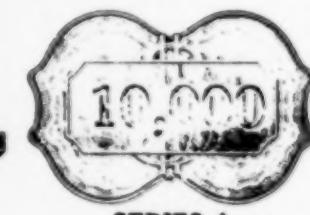
(c) The provisions of subsections (a) and (b) of this section shall be in effect either on December 31, 1974, or at any time prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position.



SERIES A



RX1987



SERIES A

UNITED STATES OF AMERICA

STATE OF KENTUCKY

SOUTHERN PACIFIC COMPANY

OREGON LINES FIRST MORTGAGE BOND DUE MARCH 1, 1977

SOUTHERN PACIFIC COMPANY (hereinafter called the Company), a corporation of the State of Kentucky, for value received, hereby promises to pay to

SOUTHERN CAPITAL CORP

or registered assigns, on March 1, 1977, the sum of

TEN THOUSAND DOLLARS,

in gold coin of the United States of America or equal to the standard of weight and fineness existing on March 1, 1927, at the office or agency of the Company in the Borough of Manhattan, in The City and State of New York, and to pay interest thereon at the rate of four and one-half per cent. per annum, from March 1 or September 1, as the case may be, next preceding the date hereof (unless this Bond be dated March 1 or September 1, and in that event from date), at said office or agency, in like gold coin, semi-annually, on March 1 and September 1, in each year.

Both the principal and the interest of this Bond are payable without deduction for any tax, assessment or other governmental charge (except any Federal income tax) which the Company or the Trustee hereinafter mentioned may be required to pay thereon, or to retain therefrom, under any present or future law of the United States of America, or of any State, county, municipality or other taxing authority therein.

This Bond is one of a duly authorized issue of Bonds, coupon and registered, of the Company, limited to the aggregate principal amount of One Hundred Million Dollars (\$100,000,000) at any one time outstanding, known as its Oregon Lines First Mortgage Bonds, all issued and to be issued under and in pursuance of, and all equally secured by, a mortgage and deed of trust, dated as of March 1, 1927, made and entered into between the Company and National Bank of Commerce in New York, as Trustee, and to which reference is hereby made for a statement of the property and franchises mortgaged, the nature and extent of the security, the rights of the holders of Bonds under the same, and the terms and conditions upon which the Bonds are secured.

The Bonds of this Series "A" are, at the option of the Company, redeemable as a whole, but not in part, on any semi-annual interest date up to and including March 1, 1972, at 105 per cent of their principal amount, and thereafter on any semi-annual interest date at a premium equal to one-half of one per cent. of such principal amount for each six months between the date designated for redemption and the date of maturity, in either case together with accrued interest and on previous notice given by publication, as provided in said mortgage and deed of trust, at least once a week for four successive weeks in a daily newspaper of general circulation in the Borough of Manhattan, in The City and State of New York, the first publication to be

not less than sixty nor more than ninety days prior to the redemption date specified in such notice.

In case an event of default as defined in the said mortgage and deed of trust shall happen, the principal of the Bonds may be declared, or may become, due and payable, in the manner and with the effect provided in the said mortgage and deed of trust.

No recourse for the payment of the principal of or the interest on this Bond or any part thereof or for any claim based thereon or otherwise in respect thereof or of the indebtedness represented thereby or of the said mortgage and deed of trust, shall be had against any officer, director or stockholder, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, or any such successor corporation, whether by virtue of any statute or constitutional provision or by the enforcement of any assessment or otherwise, all such liability, now existing or hereafter created, being by the acceptance hereof and as part of the consideration of the issue hereof expressly waived and released.

This Bond is transferable by the registered owner hereof in person, or by his duly authorized attorney, on the books of the Company at its office or agency in the Borough of Manhattan, in The City and State of New York, upon surrender and cancellation of this Bond, and, thereupon, a new registered Bond without coupons will be issued to the transferee in exchange herefor; or at the option of the registered owner hereof, this Bond may be surrendered for cancellation in exchange for coupon Bonds of the denomination of \$1,000 for the same aggregate principal amount and bearing all unmatured coupons and of the same series, and any such coupon Bond may, in turn, be exchanged for a like amount of the principal thereof in registered Bonds without coupons; all as provided in said mortgage and deed of trust, and on payment, in any such case, if the Company shall so require, of the charge therein provided for.

This Bond shall not be entitled to any benefit under the said mortgage and deed of trust, and shall not become valid or obligatory for any purpose, until it shall have been authenticated by the certificate, hereinafter endorsed, of the Trustee under the said mortgage and deed of trust.

IN WITNESS WHEREOF, the Company has caused this Bond to be signed by its President or one of its Vice Presidents, and its corporate seal to be hereunto affixed and to be attested by its Secretary or one of its Assistant Secretaries, as of February 19, 1976.

SOUTHERN PACIFIC COMPANY,
(DELAWARE)By *J.R. Lubin* The President.Attest: *O.J. Stavach* Assistant Secretary.

TRUSTEE'S CERTIFICATE
This Bond is one of the Bonds described in the within
mortgage and deed of trust, dated as of
March 1, 1927.

NATIONAL BANK OF COMMERCE IN NEW YORK, Trustee.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, Successor Trustee.
by

Authorized Officer.

Supreme Court, U. S.

FILED

MAY 5 1978

MICHAEL RODAK, JR., CLERK

In the Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-1446

SOUTHERN CAPITAL CORPORATION

Petitioner,

vs.

SOUTHERN PACIFIC COMPANY,
SOUTHERN PACIFIC TRANSPORTATION COMPANY,
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Respondents.

On Petition for a Writ of Certiorari to
the United States Court of Appeals
for the Eighth Circuit

Brief in Opposition of Respondents
Southern Pacific Company and Southern Pacific
Transportation Company

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**In the Supreme Court of the
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SOUTHERN CAPITAL CORPORATION

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SOUTHERN PACIFIC TRANSPORTATION COMPANY,
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Respondents.

On Petition for a Writ of Certiorari to
the United States Court of Appeals
for the Eighth Circuit

**Brief in Opposition of Respondents
Southern Pacific Company and Southern Pacific
Transportation Company**

Respondents SOUTHERN PACIFIC COMPANY and
SOUTHERN PACIFIC TRANSPORTATION COMPANY respectfully submit the following brief in opposition to the Petition For a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit.

OPINIONS BELOW

The opinion of the Court of Appeals for the Eighth Circuit is reported at 568 F.2d 590 (8th Cir. 1978). The memorandum opinion of the District Court for the Eastern District of Arkansas was not reported. The courts' opinions are set forth in Appendices "A" and "B" to the Petition.

JURISDICTION

The judgment of the Court of Appeals for the Eighth Circuit was entered January 11, 1978. The jurisdiction of this Court was invoked under 28 U.S.C. § 1254(1) with filing of the Petition for a Writ of Certiorari on April 11, 1978.

STATUTES INVOLVED

Joint Resolution of June 5, 1933, ch. 48, § 1, 48 Stat. 112-13, 31 U.S.C. § 463 (App. 1).*

Gold Reserve Act of 1934, Sections 3 and 4, 31 U.S.C. §§ 442 and 443 (repealed 1973) (App. 2).

Gold Reserve Act of 1934, Section 5, 31 U.S.C. § 315b (App. 3).

Act of Sept. 21, 1973, Section 3 ("Gold Ownership Amendment of 1973"), Pub. L. No. 93-110, 87 Stat. 352 (App. 3).

Act of Aug. 14, 1974, Section 2 ("Gold Ownership Amendment of 1974"), Pub. L. No. 93-373, 88 Stat. 445 (App. 4).

Act of Oct. 28, 1977, Section 4(c) (the "1977 Reaffirmation"), Pub. L. No. 95-147, 91 Stat. 1229 (App. 4).

(The texts of the listed statutes are set forth in the Appendix hereto).

*"App." citations are to the Appendix hereto. "Pet. App." citations are to Petitioner's Appendix.

QUESTIONS PRESENTED

When the legislative history of the Gold Ownership Amendments revealed no intent to repeal the Joint Resolution, when the respective enactments were neither irreconcilable nor inconsistent, and when Congress in October 1977 enacted legislation reaffirming the Joint Resolution with respect to debt obligations issued prior to October 1977, was the Joint Resolution implicitly repealed by the Gold Ownership Amendments?

Given that the congressional power to establish a uniform monetary system upon which the constitutional validity of the Joint Resolution rested in 1933 still exists today, and that the Congress in October 1977 enacted legislation reaffirming the applicability of the Joint Resolution with respect to debt obligations issued prior to October 1977, has the Joint Resolution become violative of substantive due process under the Fifth Amendment through change of circumstances with respect to obligations previously voided by the Joint Resolution?

STATEMENT OF THE CASE

Petitioner's complaint seeks payment of principal and interest on Respondent Southern Pacific Transportation Company's First Mortgage Gold Bonds (the "Bonds"), which were issued on March 1, 1927 and matured on March 1, 1977, pursuant to a gold clause contained in the Bonds providing for such payment "in gold coin of the United States of America of or equal to the standard of weight and fineness existing on March 1, 1927."

Such gold payment clauses, which were widespread at the time of issuance of the Bonds, were declared to be void and against public policy by the Joint Resolution of June 5, 1933, 31 U.S.C. § 463, ch. 48, § 1, 48 Stat. 112-13 (the "Joint Resolution") (App. 1), which provides that:

"Every obligation, heretofore or hereafter incurred, . . . shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts."

The constitutional validity of the Joint Resolution was first upheld by this Court in *Norman v. Baltimore & O.R.R.*, 294 U.S. 240 (1935), in which a gold clause identical to that contained in the Bonds in question here was declared unenforceable. The constitutionality of the Joint Resolution was subsequently reaffirmed in several other cases reaching this Court in the 1930's. See, e.g., *Guaranty Trust Co. v. Hennwood*, 307 U.S. 247 (1939); *Bethlehem Steel Co. v. Zurich General Accident & Liability Co.*, 307 U.S. 265 (1939); *Holyoke Water Power Co. v. American Writing Paper Co.*, 300 U.S. 324 (1937); *Nortz v. United States*, 294 U.S. 317 (1935); *Emery Bird Thayer Dry Goods Co. v. Williams*, 107 F.2d 965 (8th Cir. 1939), cert. denied, 309 U.S. 655 (1940).

Petitioner argued before the District Court that the Joint Resolution (1) had been repealed, either explicitly or implicitly, by legislation enacted in 1974 intended to eliminate existing limitations on the right of United States citizens to purchase, hold, sell or otherwise deal in gold; Act of Sept. 21, 1973, sec. 3, Pub. L. No. 93-110, 87 Stat. 352; Act of Aug. 14, 1974, sec. 2, Pub. L. No. 93-373, 88 Stat. 445 (the "Gold Ownership Amendments") (App. 3); or (2) was no longer constitutional because the economic circumstances giving rise to its passage no longer prevailed.

In granting Southern Pacific's motion to dismiss the complaint, the United States District Court for the Eastern District of Arkansas, Western Division, Garnett T. Eisele, U.S.D.J., relying on *Feldman v. Great Northern Ry.*, 428 F.Supp. 979, 984-87 (S.D. N.Y. 1977), and *Equitable Life Assurance Society v. Grosvenor*, 426 F.Supp. 67, 71-72

(W.D. Tenn. 1976), *appeal docketed*, No. 77-1002 (6th Cir. Jan. 7, 1977), two cases upholding the continuing validity of the Joint Resolution, held that "the 1974 Act did not repeal the Joint Resolution of 1933", and further concluded that

"an independent constitutional basis for the Resolution [cited by Congress], Congress' power to establish a uniform monetary system with parity between all forms of currency . . . is as valid today as in 1933." (Pet. App. 16).

Henderson v. Mann Theatres Corp., 65 Cal.App.3d 397, 135 Cal.Rptr. 266 (1976), cert. denied, 436 U.S.L.W. 3215 (Oct. 3, 1977); *Equitable Life Assurance Society v. Grosvenor*, 426 F.Supp. 67, 72-73 (W.D. Tenn. 1976), *appeal docketed*, No. 77-1002 (6th Cir. Jan. 7, 1977); Cf. *Aztec Properties, Inc. v. Union Planters National Bank*, 530 S.W.2d 756 (Tenn. 1975), cert. denied, 425 U.S. 975 (1976).

Judge Eisele's decision was unanimously affirmed by the United States Court of Appeals for the Eighth Circuit in an opinion written by Circuit Judge Stephenson and joined in by Senior Circuit Judge Van Oosterhout and Circuit Judge Lay. *Southern Capital Corp. v. Southern Pacific Company*, 568 F.2d 590 (8th Cir. 1978). In rejecting Petitioner's argument attacking the continued constitutional viability of the Joint Resolution, the Court of Appeals held that

"the congressional power to establish a uniform monetary system which existed in 1933 and provided a basis upon which the Supreme Court upheld the constitutionality of the Joint Resolution in 1934 still exists today." (Pet. App. 20).

With respect to the argument that the Joint Resolution had been repealed, either explicitly or implicitly, the Court of Appeals first found no explicit indication of a congressional intent to repeal the Joint Resolution, and second found that the respective enactments were neither irreconcilable nor

inconsistent. (Pet. App. 22-23). Finally, the Court of Appeals concluded that the enactment of the Act of October 28, 1977, sec. 4(c), Pub. L. No. 95-147, 91 Stat. 1229 (the "1977 Reaffirmation") (App. 4), was further evidence that Congress had not intended to repeal the Joint Resolution by some earlier legislation. The 1977 Reaffirmation provides that

"The joint resolution entitled 'joint resolution to assure uniform value to the coins and currencies of the United States', approved June 5, 1933 (31 U.S.C. 463), shall not apply to obligations issued on or after the date of enactment of this section."

The Court of Appeals stated in this regard that

"If Congress had earlier intended to implicitly repeal the Joint Resolution, it is highly doubtful that the Act of October 28, 1977, would have been necessary. Additionally, this recent Act clearly expresses the congressional intent to make the Joint Resolution nonapplicable to obligations issued *on or after* October 28, 1977. We are unable to find an earlier congressional intention to repeal the Joint Resolution." (Pet. App. 22).

Respondent Southern Pacific submits that the District Court and the Court of Appeals rightly rejected the arguments advanced below by petitioners. There is no basis to justify review by the Court.

REASONS FOR DENYING CERTIORARI

I. There Is No Conflict Among the Courts, Federal and State, as to the Continued Validity of the Joint Resolution Nor Are There Any Other Grounds Warranting Review by This Court.

This case raises no new constitutional or other question of major importance, there is no conflict in the decisions of the federal and state courts with respect to any issue presented herein, and the decision of the Eighth Circuit Court of Appeals below, affirming the decision of the

District Court, is correct. Therefore, there is nothing to warrant review by this Court.

Since the enactment of the Gold Ownership Amendments, every federal and state court to consider the questions, without exception, has held that the Joint Resolution was and remains a constitutional exercise of Congress' exclusive power to issue and regulate the value of money granted in Paragraph 5 of Section 8, Article I of the United States Constitution, and that the Joint Resolution was not repealed by the Gold Ownership Amendments, which legalized the ownership of gold. *Henderson v. Mann Theatres Corp.*, 65 Cal.App.3d 397, 135 Cal.Rptr. 266 (1976), cert. denied, 46 U.S.L.W. 3215 (Oct. 3, 1977); *Feldman v. Great Northern Ry.*, 428 F.Supp. 979 (S.D. N.Y.); *Equitable Life Assurance Society v. Grosvenor*, 426 F.Supp. 67 (W.D. Tenn. 1976), appeal docketed, No. 77-1002 (6th Cir. Jan. 7, 1977); and *Radue v. Zanaty*, 293 Ala. 585, 308 So.2d 242 (1975). Indeed, this Court recently has refused to review these issues. See *Henderson v. Mann Theatres Corp.*, 46 U.S.L.W. 3215 (Oct. 3 1977), denying cert. to 65 Cal.App.3d 397, 135 Cal.Rptr. 266 (1976); Cf. *Aztec Properties, Inc. v. Union Planters National Bank*, 425 U.S. 975 (1976), denying cert. to 530 S.W.2d 756 (Tenn. 1975).

II. The Courts Below Correctly Decided That the Gold Ownership Amendments Did Not Repeal the Joint Resolution and That Application of the Joint Resolution to Southern Pacific's Bonds Does Not Violate Petitioner's Fifth Amendment Rights.

A. THE GOLD OWNERSHIP AMENDMENTS DID NOT EXPRESSLY OR IMPLIEDLY REPEAL THE JOINT RESOLUTION.

The Gold Ownership Amendments made it lawful for United States citizens again to own gold. Subsection (a) of the Gold Ownership Amendments repealed¹ Sections 3 and 4 of the Gold Reserve Act of 1934, 31 U.S.C. §§ 442 and

443 (App. 2), which had, respectively, empowered the Secretary of the Treasury to issue regulations prescribing the limited conditions under which gold could then be acquired, held and used (*e.g.*, for mining operations and industrial, professional and artistic uses), and provided penalties for violation of such regulations. Subsection (b) of the Gold Ownership Amendments provides, in relevant part, that “[n]o provision of any law . . . may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold.”.

There is simply no language in the Gold Ownership Amendments that the Joint Resolution was repealed. It was so held in *Equitable Life Assurance Society v. Grosvenor*, 426 F.Supp. 67, 71 (W.D. Tenn. 1976), *appeal docketed*, No. 77-1002 (6th Cir. Jan. 7, 1977). The only express repealer therein was of Sections 3 and 4 of the Gold Reserve Act, which dealt only with the acquisition and use of gold. The Joint Resolution was not mentioned in either Gold Ownership Amendment. Congress' silence in the Gold Ownership Amendments with respect to the Joint Resolution cannot be construed as an intention to repeal the Joint Resolution. A recognized rule of statutory construction is that the expression of certain things in a statute necessarily involves

1. Repeal of Sections 3 and 4 of the Gold Reserve Act was accomplished in two steps by the Gold Ownership Amendments. Subsection (a) of the Gold Ownership Amendment of 1973 provided for such repeal, and subsection (b) for elimination of existing gold ownership prohibitions upon a finding by the President that the United States' international monetary position would not be adversely affected. The Gold Ownership Amendment of 1974 amended the Gold Ownership Amendment of 1973 by eliminating the gold ownership prohibitions on December 31, 1974, unless the President should have recommended such elimination prior to that date.

exclusion of other things not expressed—*i.e.*, *expressio unius est exclusio alterius*. See, *e.g.*, *Henderson v. Mann Theatres Corp.*, 65 Cal.App.3d 397, 135 Cal.Rptr. 266 (1976), *cert. denied*, 46 U.S.L.W. 3215 (Oct. 3, 1977).

Not only was there no express repeal, the Gold Ownership Amendments did not repeal the Joint Resolution by implication. Petitioner contends that the language in the Gold Ownership Amendments permitting U. S. citizens otherwise to deal with gold was intended by Congress to extend to all matters relating to gold, including its prohibited use as an index of monetary value. (Petition 7-8). This argument was flatly rejected in the courts below and in *Equitable Life Assurance Society v. Grosvenor*, 426 F.Supp. 67, 72 (W.D. Tenn. 1976), *appeal docketed*, No. 77-1002 (6th Cir. Jan. 7, 1977).

Petitioner's argument is in direct conflict with the many rulings of this Court that repeals by implication are not favored. See, *e.g.*, *Morton v. Mancari*, 417 U.S. 535, 549 (1974) and the cases cited therein. This Court's decision in *Morton* reaffirms the alternative requirements for implied repeal of an earlier statute by a later one—viz., (1) there must be an affirmative showing of a “clear and manifest intent” by Congress to repeal the earlier statute, or (2) the earlier and later statutes must be irreconcilable. Absent such intention and where the two statutes “are capable of co-existence,” the courts must regard each as effective. *Morton, supra*, at 551. Petitioner has failed to demonstrate that either requirement has been satisfied, and is unable to do so.

As to the first requirement, there is nothing in the language of the Gold Ownership Amendments themselves, or in the legislative history of those enactments, that indi-

cates affirmatively any Congressional intent to repeal the Joint Resolution. Indeed, all the available legislative history of the Gold Ownership Amendments mandates a contrary conclusion.

The testimony of the Chairman of the International Finance Subcommittee of the House Committee on Banking and Currency, which handled the Amendments, supports this conclusion:

"I want to emphasize that this would not mean that we intend to allow the writing of contracts in gold, or otherwise change the joint resolution on gold. Our intention is merely to allow individuals to buy, sell and own gold if and when it is possible to do this without sacrificing our national interest." 119 CONG. REC. 16,968 (1973).

Moreover, high officials of federal executive departments and independent agencies charged with monetary and banking administration have uniformly interpreted the Gold Ownership Amendments as not repealing or modifying the Joint Resolution. See Secretary of the Treasury's Statement of December 9, 1974, 122 CONG. REC. S. 9128 (daily ed. June 14, 1976)²; Statements of the Board of Governors of the Federal Reserve Board, and the Comptroller of the Currency; and Statements of the Federal Deposit Insurance Corporation and Federal Home Loan Bank Board, 4

2. On December 4, 1974, just a short time before the Gold Ownership Amendments became effective, Secretary of the Treasury William Simon testified before the House International Finance Subcommittee:

"Contracts payable alternatively in gold or in an amount of money measured thereby are both against public policy and unenforceable in our courts under the provisions of the Congressional Gold Clause Joint Resolution of 1933. *This clause continues to apply after the lifting of restrictions on bullion ownership.*" Hearings on H.R. 17475 Before the Subcomm. on International Finance of the House Comm. on Banking and Currency, 93d Cong., 2d Sess. 7 (1974). (Emphasis supplied.)

CCH FED. BANKING L. REP. ¶ 56,368 at 35,221-27 (1974). As a rule of statutory construction, these interpretations of the Gold Ownership Amendments are entitled to be given great weight by the courts. *Broadrick v. Oklahoma*, 413 U.S. 601, 617-618 (1973); *Udall v. Tallman*, 380 U.S. 1, 16 (1965).

As to the alternative requirement for implied repeal, the Joint Resolution and the Gold Ownership Amendments are not in conflict with each other and may be harmoniously construed. In enacting the Gold Ownership Amendments, Congress intended only to remove restrictions upon U. S. citizens in "purchasing, holding, selling or otherwise dealing in gold" as a commodity—i.e., to eliminate the restrictions on the use of gold as a commodity and to permit its acquisition for investment and speculative purposes. In enacting the Joint Resolution, Congress focused on the specific problems posed by the use of "gold clauses" in debt obligations and other contracts, and intended, by demonetizing gold, to eliminate the interference of such provisions with its constitutional power to regulate the value of money. *Norman v. Baltimore & O.R.R.*, 294 U.S. 240 (1935). It is evident, then, that the Gold Ownership Amendments and the Joint Resolution deal with quite diverse subjects. Petitioner has failed to cite, nor can it cite, any authority to demonstrate that the Gold Ownership Amendments were intended to give gold a renewed monetary standing. The language of the Gold Ownership Amendment of 1974 itself clearly manifests this distinction between private ownership of gold and the monetary role of gold.³

3. "(e) . . . [T]his section shall take effect on December 31, 1974, or at any time prior . . . that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position."

This distinction is further manifested by the words used to describe the categories of permitted activity under subsection (b) of the Gold Ownership Amendments—*i.e.*, “purchasing”, “holding”, “selling”, and “or otherwise dealing.” These are the words which describe acts of trading in a commodity,⁴ and its acquisition, ownership and disposition. They plainly have no relationship to the use of gold as an index of value to measure monetary obligations.

The Court recognized this distinction between gold as a commodity and gold as an index of value in the cases decided in the 1930's upholding the constitutionality of the Joint Resolution. In *Holyoke Water Power Co. v. American Writing Paper Co.*, 300 U.S. 324 (1937), this Court flatly rejected the contention that a gold value clause in a lease was in effect a contract for the purchase and sale of gold, even though the clause used the term “commodity”. In affirming the judgment of the courts below that the lessee was obligated to pay rent, dollar for dollar, in the then prevailing currency and not in gold, this Court held that “[t]he obligation was one for the payment of money, and not for the delivery of gold as upon the sale of a commodity.” 300 U.S. at 335.

The lower courts herein and all other courts which have considered the question of implied repeal of the Joint Resolution by the Gold Ownership Amendments have held that there is no basic inconsistency, or positive repugnancy, in permitting the general range of activities inci-

4. These words in subsection (b), denoting the commodity status of gold, are further given meaning by reference to the panoply of activities prohibited under Section 3 of the Gold Reserve Act, 31 U.S.C. § 442, and the Treasury regulations implementing that statute [31 C.F.R. §§ 54.1-54.83 (1974)], now permitted under the Gold Ownership Amendments, such as import, export, melt, treat, transport, store, process, fabricate, earmark, etc. See *Feldman v. Great Northern Ry.*, 428 F.Supp. 979, 986 (S.D. N.Y. 1977).

dent to ownership of gold as a commodity under the Gold Ownership Amendments, while denying by the Joint Resolution the right to enforce payment of obligations indexed to the value of gold. *See, e.g., Feldman v. Great Northern Ry.*, 428 F.Supp. 979, 984 (S.D. N.Y. 1977); *Equitable Life Assurance Society v. Grosvenor*, 426 F. Supp. 67, 72 (W.D. Tenn. 1976), *appeal docketed*, No. 77-1002 (6th Cir. Jan. 7, 1977); and *Henderson v. Mann Theatres Corp.*, 65 Cal.App.3d 397, 404-405, 135 Cal.Rptr. 266 (1976), *cert. denied*, 46 U.S.L.W. 3215 (Oct. 3, 1977). In reaching this conclusion, the district court in *Feldman* applied the rule of statutory construction recently reaffirmed by the Supreme Court in *Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 153 (1976)—*i.e.*, that “a statute dealing with a narrow, precise, and specific subject is not submerged by a later enacted statute covering a more generalized spectrum.” The court in *Feldman* found that the general permission granted by the Gold Ownership Amendments in dealing with gold as commodity did not undercut or submerge the specific prohibition of the Joint Resolution. 428 F.Supp. at 984-985.

The 1977 Reaffirmation makes the Joint Resolution inapplicable to obligations issued on or after October 28, 1977 and, in effect, reaffirms the Joint Resolution with respect to obligations issued prior to that date. The Joint Resolution continues, therefore, to invalidate gold clause obligations issued prior to October 28, 1977, including the gold clause obligation in Southern Pacific's Bonds. Moreover, Congress' enactment of the 1977 Reaffirmation is persuasive evidence that the Gold Ownership Amendments did not repeal the Joint Resolution by implication. The Eighth Circuit Court of Appeals correctly concluded that, “[i]f Congress had earlier intended to implicitly repeal the Joint Resolution [*i.e.*, by the Gold Ownership Amendments],

it is highly doubtful that the Act of October 28, 1977, would have been necessary." (Pet. App. 22). It is clear, therefore, that the courts below correctly decided that the Gold Ownership Amendments did not expressly or impliedly repeal the Joint Resolution.

B. PETITIONER'S SUBSTANTIVE DUE PROCESS RIGHTS ARE NOT VIOLATED BY APPLICATION OF THE JOINT RESOLUTION TO SOUTHERN PACIFIC'S BONDS.

Application of the Joint Resolution to the gold clause in Southern Pacific's Bonds issued in 1927 does not violate Petitioner's Fifth Amendment substantive due process rights. The Joint Resolution was found constitutional in 1935 (*Norman v. Baltimore & O.R.R.*, 294 U.S. 240 (1935)) and it continues today to meet substantive due process standards.⁵

The Joint Resolution was an exercise of Congress' express power, granted in Paragraph 5 of Section 8, Article I of the United States Constitution, to "coin money, regulate the value thereof, and of foreign coin". *Norman, supra*, at 302-306. This power resides exclusively with Congress and the wisdom of monetary measures is a political, not judicial, question. *Julliard v. Greenman*, 110 U.S. 421 (1884). Even though the 1933 Joint Resolution invalidated the gold clauses in then-existing contracts, it met the only constitutional requirement for a monetary measure to be valid: it was rationally related to a proper purpose and not arbitrary or capricious. *Norman, supra*, at 311.

The Joint Resolution has not lost its validity merely because time has passed, whether or not economic conditions have changed. Petitioner has the burden of showing that no reasonable state of facts can be conceived which supports its

5. It should be noted that Petitioner's due process arguments proceed on a basis discredited by this Court at least since its decision in *United States v. Carolene Products Co.*, 304 U.S. 144, 152 (1938).

continued application. Cf. *Kelley v. Johnson*, 425 U.S. 238 (1976). Modern courts do not invalidate legislation simply because some think it unwise or because there might be a more reasonable means to the end sought. Cf. *Williamson v. Lee Optical*, 348 U.S. 483, 488 (1955). Petitioner must demonstrate that there is no monetary or other Congressional policy to which continued application of the Joint Resolution vis-a-vis pre-1933 obligations bears a rational relation. *United States v. Carolene Products Co.*, 304 U.S. 144, 152 (1938). Petitioner has not met and cannot meet this burden. Indeed, the 1977 Reaffirmation constitutes an express finding by Congress that the Joint Resolution was not to be retroactively repealed. In order to grant Petitioner the relief it seeks, the 1977 Reaffirmation would have to be invalidated as well.

Similarly, Petitioner's argument that the Joint Resolution must fall before the "equal protection requirements of the Fifth Amendment" (Petition 2) is without merit. Congress' paramount monetary power permits it to adopt statutory schemes which may seem unfair to some. *Holyoke Water Power Co. v. American Writing Paper Co.*, 300 U.S. 324 (1936). Where legislation involves a national interest, as does the Joint Resolution, Congress may be justified in discriminating in a way which would be unacceptable if imposed by a state. *Hampton v. Mow Sun Wong*, 426 U.S. 88, 100 (1976). However, even if the Joint Resolution were subjected to equal protection analysis it would be found valid: the Joint Resolution does not discriminate against a suspect class, does not infringe a fundamental right, and is not arbitrary or capricious. It fully satisfies the equal protection tests set forth in *New Orleans v. Dukes*, 427 U.S. 297, 303 (1976). Petitioner has not demonstrated, and cannot, that the classifications effected by the Joint Resolution are not rationally related to a legitimate purpose. Therefore, it

is clear that the courts below correctly decided that Petitioner's substantive due process rights are not violated by application of the Joint Resolution to Southern Pacific's Bonds.

III. Petitioner's Suit Seeks Relief Which Respondents Are Unable to Provide Under Existing Law.

In its complaint filed in the District Court, Petitioner seeks a declaratory judgment that Respondents are obligated to satisfy the remaining payments of principal and interest on the Bonds issued by Southern Pacific Company on March 1, 1927 "in gold coin of the United States of America of or equal to the standard of weight and fineness existing on March 1, 1927." However, by virtue of the operation of Section 5 of the Gold Reserve Act of 1934, 31 U.S.C. § 315b (App. 3), there has been no "gold coin of the United States" in circulation since January 30, 1934. Unlike other provisions of the Gold Reserve Act which have been repealed, Section 5 remains in effect and precludes the use of gold coin as legal tender in the settlement of monetary obligations. Thus, it would be impossible for Respondents to comply with the declaratory judgment sought in Petitioner's complaint.

* * *

CONCLUSION

As the courts below correctly decided, the Gold Ownership Amendments did not repeal the Joint Resolution and Petitioner's Fifth Amendment rights are not violated by application of the Joint Resolution to the gold clause in

Southern Pacific's Bonds. The Petition for a Writ of Certiorari should, therefore, be denied.

DATED: May 4, 1978

Respectfully submitted,

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(Appendix follows)

APPENDIX

Appendix

JOINT RESOLUTION OF June 5, 1933, ch. 48, § 1,
48 Stat. 112-13, 31 U.S.C. § 463

To assure uniform value to the coins and currencies of the United States.

Whereas the holding of or dealing in gold affect the public interest, and are therefore subject to proper regulation and restriction; and

Whereas the existing emergency has disclosed that provisions of obligations which purport to give the obligee a right to require payment in gold or a particular kind of coin or currency of the United States, or in an amount in money of the United States measured thereby, obstruct the power of the Congress to regulate the value of the money of the United States, and are inconsistent with the declared policy of the Congress to maintain at all times the equal power of every dollar, coined or issued by the United States, in the markets and in the payment of debts. Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy; and no such provision shall be contained in or made with respect to any obligation hereafter incurred. Every obligation, heretofore or hereafter incurred, whether or not any such provision is contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts. Any such

provision contained in any law authorizing obligations to be issued by or under authority of the United States, is hereby repealed, but the repeal of any such provision shall not invalidate any other provision or authority contained in such law.

(b) As used in this resolution, the term "obligation" means an obligation (including every obligation of and to the United States, excepting currency) payable in money of the United States; and the term "coin or currency" means coin or currency of the United States, including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations.

GOLD RESERVE ACT OF 1934, Secs. 3 and 4, ch. 6,
 §§ 3-4, 48 Stat. 337-38, 31 U.S.C.
 §§ 442, 443 (repealed)

SEC. 3. The Secretary of the Treasury shall, by regulations issued hereunder, with the approval of the President, prescribe the conditions under which gold may be acquired and held, transported, melted or treated, imported, exported, or earmarked: (a) for industrial, professional, and artistic use; (b) by the Federal Reserve banks for the purpose of settling international balances; and, (c) for such other purposes as in his judgment are not inconsistent with the purposes of this Act. Gold in any form may be acquired, transported, melted or treated, imported, exported, or earmarked or held in custody for foreign or domestic account (except on behalf of the United States) only to the extent permitted by, and subject to the conditions prescribed in, or pursuant to, such regulations. Such regulations may exempt from the provisions of this section, in whole or in part, gold situated in the Philippine Islands or other places beyond the limits of the continental United States.

SEC. 4. Any gold withheld, acquired, transported, melted or treated, imported, exported, or earmarked or held in custody, in violation of this Act or of any regulations issued hereunder, or licenses issued pursuant thereto, shall be forfeited to the United States, and may be seized and condemned by like proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law; and in addition any person failing to comply with the provisions of this Act or of any such regulations or licenses, shall be subject to a penalty equal to twice the value of the gold in respect of which such failure occurred.

GOLD RESERVE ACT OF 1934, Sec. 5, 31 U.S.C.
 § 315b, ch. 6, § 5, 48 Stat. 340

No gold shall after January 30, 1934, be coined, and no gold coin shall after January 30, 1934, be paid out or delivered by the United States: *Provided, however,* That coinage may continue to be executed by the mints of the United States for foreign countries in accordance with section 367 of this title. All gold coin of the United States shall be withdrawn from circulation, and, together with all other gold owned by the United States, shall be formed into bars of such weights and degrees of fineness as the Secretary of the Treasury may direct.

ACT OF SEPT. 21, 1973, Sec. 3, Pub. L. No. 93-110,
 87 Stat. 352 ("Gold Ownership Amendment of 1973")
 Sec. 3. (a) Sections 3 and 4 of the Gold Reserve Act of 1934 (31 U.S.C. 442 and 443) are repealed.

(b) No provision of any law in effect on the date of enactment of this Act, and no rule, regulation, or order under authority of any such law, may be construed to prohibit

any person from purchasing, holding, selling, or otherwise dealing with gold.

(e) The provisions of this section, pertaining to gold, shall take effect when the President finds and reports to the Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position.

ACT OF AUG. 14, 1974, Sec. 2, Pub. L. No. 93-373,
88 Stat. 445 ("Gold Ownership Amendment of 1974")

Sec. 2. Subsections 3(b) and (c) of Public Law 93-110 (87 Stat. 352) are repealed and in lieu thereof add the following:

"(b) No provision of any law in effect on the date of enactment of this Act, and no rule, regulation, or order in effect on the date subsections (a) and (b) become effective may be construed to prohibit any person from purchasing, holding, selling, or otherwise dealing with gold in the United States or abroad.

"(c) The provisions of subsections (a) and (b) of this section shall take effect either on December 31, 1974, or at any time prior to such date that the President finds and reports to Congress that international monetary reform shall have proceeded to the point where elimination of regulations on private ownership of gold will not adversely affect the United States' international monetary position."

ACT OF OCT. 28, 1977, Sec. 4(c), Pub. L. 95-147,
91 Stat. 1229 (the "1977 Reaffirmation")

The joint resolution entitled "joint resolution to assure uniform value to the coins and currencies of the United States", approved June 5, 1933 (31 U.S.C. 463), shall not apply to obligations issued on or after the date of enactment of this section.